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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1948

No. 308

ASSOCIATED TELEPHONE AND TELEGRAPH COMPANY,
AUTOMATIC ELECTRIC COMPANY

and

AUTOMATIC ELECTRIC LABORATORIES, INC.,
Petitioners,

vs.

FEDERAL TELEPHONE AND RADIO CORPORATION,
Respondent.

PETITION FOR WRIT OF CERTIORARI

To the United States Circuit Court of Appeals for The Third Circuit

and

BRIEF IN SUPPORT OF PETITION

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THE TWENTIETH CENTURY PRESS, INC., CHICAGO

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PETITION FOR WRIT OF CERTIORARI

To the Honorable the Chief Justice and the Associate Justices of the Supreme Court of the United States:

Petitioners, ASSOCIATED TELEPHONE AND TELEGRAPH COMPANY, AUTOMATIC ELECTRIC COMPANY and AUTOMATIC ELECTRIC LABORATORIES, INC. (herein sometimes referred to as "Automatic"), respectfully ask that a writ of certiorari be issued directed to the United States Circuit Court of Appeals for the Third Circuit to review a judgment entered by

that Court in this cause on June 16, 1948, reversing a judgment of the District Court entered on March 31, 1947, sustaining Petitioners' motion to dismiss the complaint. The complaint so dismissed by the District Court was filed by Respondent under the Declaratory Judgment Act.

Opinions Below.

The opinion of the Court of Appeals appears in the Record at page 35, and is reported in 78 U.S.P.Q. 1; ...F. 2nd .... The opinion of the District Court appears at R. 22a, and is reported in 71 F. Supp. 877.

Jurisdiction.

The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code, as amended by the Act of February 13, 1925. (28 U.S.C.A., Sec. 347; new Section 1254(1)).

Question Presented.

Does an "actual controversy" arise under the Declaratory Judgment Act,—

(a) where a patent owner publishes an advertisement merely announcing that its wartime free-license policy has been terminated and that it expects its patents thereafter to be respected;

(b) where the ad does not identify any particular patent, does not refer to Respondent or anyone else, does not specify any specific telephone equipment, and does not charge or threaten infringement of any of the patents by Respondent or anyone else; and

(c) where Respondent merely alleges generally in its complaint that it is engaged in the manufacture of telephone apparatus, without identification of any specific structures upon which judgment can be based?

The Declaratory Judgment Act.

The pertinent portion of the Declaratory Judgment Act reads:

> "In cases of *actual controversy* (except with respect to Federal taxes) the Courts of the United States shall have power upon petition, declaration, complaint, or other appropriate pleadings to declare rights and other legal relations of any interested party petitioning for such declaration." (Section 274d, Judicial Code; 28 U.S.C.A., Sec. 400; new Section 2201. Italics supplied.)

Summary Statement of Matter Involved.

Inherent in the issue here is whether the scope of the declaratory judgment remedy, heretofore so clearly delimited by Congress and the courts, shall be expanded to an unconstitutional area. The District Court said:

> "The declaratory judgment procedure must be based upon an actual controversy between the parties, which

is not shown here to exist. To hold a controversy existent in this case one must go immeasurably further than any former case." (R. 32a)

Respondent asks a declaratory judgment that seven specified patents "*and every other patent* presently owned or controlled by defendants" which affect the apparatus manufactured, sold or offered for sale by Respondent are invalid and that none of said patents "is infringed by the said apparatus, systems and assemblies of Plaintiff." (R. 4a. Emphasis supplied.)

The allegations of the complaint which Respondent asserts establish an actual controversy are:

"5. Plaintiff is engaged in the manufacture and sale of telephone apparatus, including relays, selector and line finder switches, register-sender translators, substation and telephone operator's equipment, and other devices employed in telephone systems of the type known as 'manual', 'machine switching' and 'automatic dial', and has sold and is offering for sale such assemblies of telephone apparatus and systems as may be required by its customers. The most frequently used of said assemblies are set forth in Exhibit 1, attached hereto, and in plaintiff's sales pamphlets which have been widely distributed to the trade, and typical ones of which are attached and marked Exhibits 2, 3 and 4. Plaintiff's telephone apparatus, assemblies and systems are designed to afford and do afford operating features which are vital to today's telephone traffic and service conditions.

"6. Defendants recently have advertised that the patents they own or control cover the operating features which are vital to today's telephone traffic and service conditions; and that, **in effect**, the manufacture, sale or use of telephone apparatus, systems and assemblies of the type described in paragraph 5 hereof, and in Exhibits 1, 2, 3 and 4, would infringe their patents and that suit for infringement would be brought because thereof.

"7. On information and belief the seven patents of defendant enumerated in paragraph 4 hereof each contain one or more claims finding literal response in plaintiff's apparatus, systems and assemblies, but plaintiff alleges that none thereof, properly construed as required by law, is infringed thereby, and that defendants own or control no other patents having claims which, properly construed as required by law, are infringed thereby." (R. 3a. Emphasis supplied.)

The structure of the telephone apparatus to which paragraph 5 refers is nowhere identified.

Exhibit 1 is merely a functional description of various types of telephone systems from which it is impossible to identify Respondent's apparatus. (Physical Ex. 1.) These systems are infinitely variable and involve structural components of thousands of kinds, many of them 50 years old. The limitless variety of structural detail is suggested by this statement in Exhibit 1:

"Plaintiff manufactures switching devices, relays and other auxiliary devices for assembly into telephone systems in which such functions are performed as may be required by plaintiff's customers. **These functions or features are never the same in two installations.**" (Emphasis supplied; Phys. Ex. 1, p. 1)

Exhibit 2 is a reprint of certain articles published in 1933 and refers to a telephone equipment installation at Bucharest, Roumania started in 1929 and scheduled for completion in September, 1933. (Physical Ex. 2, p. 1)

Exhibit 3 is a reprint of an article published in 1935 relating to a number of foreign installations made from Oslo to Stamboul and Shanghai to Rio De Janeiro, the design of which was begun in 1925. (Physical Ex. 3, p. 1)

Exhibit 4 is a reprint from an undated publication of the Bell Telephone Manufacturing Company of Antwerp, Bel-

gium, dealing entirely with *private* automatic branch exchanges. (Physical Ex. 4, p. 1)

There is no allegation in the complaint that plaintiff is manufacturing or contemplates manufacturing in the United States any of the apparatus referred to in these "sales pamphlets."

The advertisements referred to in the complaint were not attached to the complaint, but are reprinted in the Record at pages 20a, 21a.

The complaint contains no allegations of communications between Automatic and Respondent, no allegations that Petitioners have expressly charged Respondent or its customers with infringement, no allegations that Petitioners have refused Respondent patent licenses, and no allegations that Petitioners are dominating or seeking to dominate the industry through improper use of their patent position.

Petitioners filed a motion under Rule 12(b) of the Rules of Civil Procedure to dismiss the complaint on the ground that the Court lacked jurisdiction because no "actual controversy" existed between the parties within the meaning of the Declaratory Judgment Act. In support of the motion Petitioners filed affidavits by William J. Caverley, President of Automatic, and Charles M. Candy, in charge of the Patent Department at Automatic. (R. 9a; 14a)

Respondent filed no reply to these affidavits.

Petitioners attached to the Caverley affidavit, as Defendants' Exhibits A and B, two advertisements published in two trade journals on March 9, 1946 and April 6, 1946. (R. 20a; 21a)

Neither the District Court nor the Court of Appeals attached any significance to the first advertisement.

The second ad, after referring to Automatic's ownership of a large number of patents involving a substantial investment in research, contained this sentence which became the turning point in the case:

> "These patents, and the improvements they represent, the majority of which relate to Strowger (step-by-step) automatic telephone equipment, have brought, and are bringing, large benefits to Independent operating companies and their subscribers. They have made it possible for the Independent industry to provide service and *operating features* which are not only in tune with the latest approved practices, but which are also vital to today's traffic and service conditions." (Emphasis is in the ad; R. 21a)

Of this sentence, the District Court said:

> "It is conceded that the important question for my determination is the presence of some threat or other form of justiciable controversy and, because the only suggestion of threat or claim of controversy in this matter stems from the two advertisements * * * we must critically examine those publications * * *. (R. 25a)
>
> * * * *
>
> "I cannot find in the quoted sentence the conclusion necessarily reached by the plaintiff. To me the things which are stated to be 'vital to today's traffic and service conditions' are those 'services and operating features' provided by the *independent industry*, and in these, of course, the patents of the defendants constitute but an element, even though a most important one." (R. 27a; emphasis is by the Court.)

The Court of Appeals took a contrary view, saying:

> "The second advertisement * * * asserts in substance that Automatic Electric exercises virtual control over the art and industry of telephony since it owns the 'vital' patents. The word 'vital' means 'necessary to life' or 'essential'. See Webster's New International

> Dictionary, 2nd Edition. The identity of language contained in paragraphs 5 and 6 of the complaint and in the second advertisement—that Automatic Electric's patents are alleged to cover operating features 'vital to today's traffic and service conditions.'—is not coincidental but purposeful for it is on this phase, plus the allegation that each of Automatic Electric's 7 patents contain claims which find literal response in Federal's apparatus, that Federal has bottomed its entire complaint." (R. 39)

Petitioners' two supporting affidavits, **none of the facts in which were denied by Respondent,** establish that during World War II Automatic permitted the unrestricted, and even unreported, use of the inventions of certain of its patents in the manufacture of telephone apparatus for military and naval use without the payment of royalties. (R. 10a; 15a) A royalty-free license was also granted to the United States Government, at its request, for the period of the war and six months thereafter, in connection with the manufacture of equipment for the armed forces. (R. 10a; 15a)

In some instances the permission to use Automatic's inventions was granted upon request but in other cases Automatic's patented telephone equipment was manufactured by other concerns for military and naval use without permission having been obtained from Automatic. Some such use of these inventions by other concerns came to Automatic's knowledge during the war and after termination of hostilities. (R. 11a; 15a)

The affidavits further establish that there was a likelihood that patented telephone apparatus still in the hands of contractors would find its way into civilian channels after the war; and that some concerns which had been manufacturing Automatic's patented equipment, either with

Automatic's acquiescence or without its knowledge during the war, might continue to do so after hostilities had ceased. Therefore, it was important that Automatic give notice to all users and manufacturers alike that its wartime free-license policy had terminated. This was done by means of the two ads, the first addressed to manufacturers and the second primarily to operating companies. (R. 16a)

The affidavits also state that in the summer of 1945 Automatic learned that Respondent intended to enter the telephone field in the United States and that later in that year Respondent obtained orders for telephone installations to be made in 1947 in Rochester, New York (upon which Automatic also bid) and Lexington, Kentucky. (R. 16a) **However, it is uncontroverted that Automatic had no knowledge of the circuit arrangements, structure of apparatus, or mode of operation of Respondent's proposed systems, to be installed either in Lexington and Rochester or elsewhere in the United States.** (R. 17a; 11a)

Interpreting the second advertisement, in the light of the undenied facts in the affidavits, the District Court said:

> "In the instant case a careful and critical examination of the advertisement complained of compels the conclusion that the motion to dismiss must be granted. The advertisement identifies no patent which, by any charge of infringement, is constructively tendered for a determination of the issue of validity; it makes no actual charge of infringement by anyone; it neither identifies any person directly or indirectly whom it charges with infringement, nor identifies any product or process causing infringement.
>
> "*From the facts in the affidavits, herein taken to be true, a reasonable purpose of the advertisement is accepted, as removing the advertisement from the field of a general 'in terrorem' warning to the industry as a whole.*" (R. 32a. Emphasis supplied.)

However, the Court of Appeals, ignoring the undenied facts in the affidavits, said:

> "Bearing in mind that Automatic Electric has the right to give notice to the trade that it will terminate its gratuitous wartime licenses, as was done in the first advertisement, the second advertisement seems to us to go far beyond any such legitimate purpose." (R. 41)

The Court of Appeals failed to discuss a single one of the seven decisions deemed in point by the District Court; indeed, the Court of Appeals rested its ruling on no precedent at all.

Reasons Relied on For the Allowance of the Writ.

The reasons advanced for allowance of the writ are:

1. The Court of Appeals has decided an important question of Federal law, involving jurisdiction of suits under the Declaratory Judgment Act, which has not been but should be settled by this Court.

2. The question raised vitally concerns the patent system for the reason that if the decision is allowed to stand, the scope of the Declaratory Judgment Act, together with the resultant burden upon the Federal courts, will be expanded beyond all hitherto known limits.

3. The decision is not supported by any precedent.

4. The decision is contrary to the decisions of this Court (a) defining the requirements of an "actual controversy" in a Declaratory Judgment Act suit, (b) forbidding advisory opinions, and (c) ruling that jurisdiction may not be established by mere averment and that when jurisdictional allegations are challenged by a motion to dismiss, plaintiff must establish, by proper allegations or by proof, *facts* essential to show jurisdiction. *Aetna Life Insurance Company* v. *Haworth*, 1937, 300 U. S. 227; and *McNutt* v. *General Motors Acceptance Corp.*, 1936, 298 U. S. 178.

5. Unless the decision is reviewed, the question raised here may not be brought before this Court for years and the decision will stand as the law for an indefinite time, since it will be followed by district courts and since appeals do not lie from interlocutory orders denying motions to dismiss for want of jurisdiction.

Respectfully submitted,

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BRIEF IN SUPPORT OF PETITION.

I.

OUTLINE OF PETITIONERS' POSITION.

It will serve as clarifying background to this brief to set forth Automatic's basic position.

1. No "Actual Controversy" Exists.

A. The Constitution limits the declaratory judgment procedure to actual controversies.

The Declaratory Judgment Act is constitutional only "so far as it authorizes relief which is consonant with the exercise of the judicial function in the determination of controversies to which under the Constitution the judicial power extends." (*Aetna Life Insurance Co.* v. *Haworth*, 1937, 300 U. S. 227, 240.) The Act, in its limitation to "cases of actual controversy",—

"• • • manifestly has regard to the constitutional provision and is operative only in respect to controversies which are such in the constitutional sense. The word 'actual' is one of emphasis rather than of definition." (*Aetna Life Insurance Co.* v. *Haworth,* supra, p. 240)

B. *The second of two advertisements is the sole basis for Respondent's suit.*

The ad does not identify any patent or any of Respondent's equipment, nor does it specify Respondent or any of its customers; it contains no charge of infringement, no threat of litigation, no challenge to Respondent's right to conduct its business—the ad is wholly objective.

Thus none of the three "criteria for controversy" is present here. In no reported decision has an actual controversy been held to exist unless at least two of these criteria were present. The District Court adopted the following criteria as merely a "yardstick by which may be gauged the character of such notice as either, on the one hand, a harmless instrument of protection or, on the other, a sinister attempt at oppression or overreaching":

"(a) some identification of the defendant's patent;

(b) some identification of the plaintiff's product or process;

(c) some identification of the plaintiff himself or of someone through whom the plantiff has an interest or claims some right." (R. 28a; 29a)

None of these criteria is present here.

The ad, announcing the end of Automatic's wartime free-license policy, concludes with this significant sentence (to which the Court of Appeals made no reference in its opinion):

"It is our intent so to conduct our business that Independent operating companies will continue to de-

rive increasing benefit from the inventions of our technicians, **subject to the rights of ourselves and other manufacturers under the patent laws** and the interests of the customers we serve." (Emphasis supplied. R. 21a.)

C. Automatic's record.

No refusal to grant patent licenses; no effort to dominate or intimidate the industry or its customers; no infringement litigation of "in terrorem" effect, or otherwise; no knowledge of Federal's specifications or circuits or manner of operation, either in general or for its proposed installations at Lexington and Rochester; and no charge of infringement against Respondent, its customers or its equipment.

D. It is still the law that "an 'actual controversy' does not exist until the patentee makes some claim that his patent is being infringed." *Treemond Co.* v. *Schering Corp.*, (1941; C. C. A., 3rd) 122 F. (2nd) 702, 705.

2. Federal Seeks An Advisory Opinion.

The complaint is devoid of allegations of *fact* on which to base a declaratory judgment action. It is elementary that our motion to dismiss does not admit the pleader's *conclusions* such as, for example, the allegation that Automatic's ad charges "that, **in effect**, the manufacture, sale or use of telephone apparatus, systems and assembles of the type described in paragraph 5 hereof, and in Exhibits 1, 2, 3 and 4, would infringe their patents and that suit for infringement would be brought because thereof." (Emphasis supplied. R. 4a)

It is impossible to tell from the complaint and exhibits what systems Respondent is manufacturing or will manufacture.

Neither Respondent's complaint nor exhibits present any description of the structure of its systems. The exhibits are mere promotional material expressive of what its parent, International Telephone & Telegraph Co., has done many years ago in Europe with its *Rotary* type (not Strowger) equipment and Respondent's nebulous and far-flung *hopes* for the future in the United States.

3. The Declaratory Judgment Act Was Never Intended For This.

The Act has succeeded in its fine purpose of enabling a competitor to have its rights determined when a patentee prefers to harass it by threats not followed by suit. But that is not this case. Here Respondent seeks to harass the *patentee* by bringing suit, not to unshackle itself from a terrorizing patentee who refuses either to grant licenses or to bring infringement suits against competitors whom it knows to be engaging in conduct violative of its patents. No, here Automatic—with no knowledge of Respondent's specifications, with no idea whether Respondent is infringing—is badgered with the preposterous demand that the District Court examine Automatic's 1,600 patents to determine which of them *might* be infringed *if* Respondent should ever actually manufacture and sell automatic telephone systems as yet unknown to Automatic and possibly even to Respondent!

4. Federal's Jurisdictional Burden.

It is well established that a plaintiff must discharge its burden of properly alleging facts essential to show Federal jurisdiction and, when jurisdiction is challenged, to *prove* those jurisdictional facts. *McNutt* v. *General Motors Acceptance Corp.* (1936), 298 U. S. 178, 189; *KVOS, Inc.* v. *Associated Press,* 299 U. S. 269, 278; and *Kloeb* v. *Armour & Co.,* 311 U. S. 199, 204.

II.

THE COURT OF APPEALS' DECISION IS IN CONFLICT WITH DECISIONS OF THIS COURT.

Respondent's Jurisdictional Burden.

Jurisdictional Allegations: The Court of Appeals permitted Respondent to discharge its jurisdictional burden to show that an actual controversy existed by merely paraphrasing the language of the second ad and by pleading conclusions. This is directly contrary to several rulings of this Court, a typical expression of which is the following:

> "He (plaintiff) must allege in his pleading the facts essential to show jurisdiction. If he fails to make the necessary allegations he has no standing. If he does make them, an inquiry into the existence of jurisdiction is obviously for the purpose of determining whether the facts support his allegations * * * The authority which the statute vests in the court to enforce the limitations of its jurisdiction precludes the idea that jurisdiction may be maintained by mere averment * * *. If his allegations of jurisdictional facts are challenged by his adversary in any appropriate manner, he must support them by competent proof." (*McNutt* v. *General Motors Acceptance Corporation,* 298 U. S. 178, 189.)

In the case at bar, Respondent elected to waive its right to produce proof or to file counter-affidavits contravening the facts in Automatic's affidavits and instead chose to stand on the meager conclusions of its complaint. So the District Court, on all the facts before it, found that it was without jurisdiction. However, the Court of Appeals erroneously treated the motion to dismiss as though it were directed at the failure of the complaint to state a cause of action. The sufficiency of the complaint is not challenged as failing to state a cause of action, but rather as failing to establish on its face (or by proof in support thereof) the

jurisdiction of the Court. In a case involving a comparable situation, this Court said:

> "The petitioner's motion was an appropriate method of challenging the jurisdictional allegations of the complaint. It did not operate merely as a demurrer, for it did not assume the truth of the bill's averments and assert that in spite of their truth the complaint failed to state a case within the court's jurisdiction. On the contrary the motion traversed the truth of the allegations as to amount in controversy and in support of the denial recited facts dehors the complaint." (*KVOS, Inc.* v. *Associated Press*, 299 U. S. 269, 278. To like effect, see *Kloeb* v. *Armour and Company*, 311 U. S. 199, 204.)

Unless this Court reverses the Court of Appeals, any company seeking an advisory opinion can obtain a trial on the merits of a pretended controversy merely by alleging conclusions in its complaint without being required to aver and support jurisdictional facts; and even though, as here, the defense affidavits establish the absence of jurisdiction.

The Absence of an "Actual Controversy": This Court has stressed that the "actual controversy" required to be established by the Declaratory Judgment Act in order to give the Court jurisdiction "must be definite and concrete • • • a real and substantial controversy • • • as distinguished from an opinion advising what the law would be upon a hypothetical state of facts." *Aetna Life Insurance Company* v. *Haworth* (1937) 300 U. S. 227, 240.

Here, Respondent was unable to allege any facts in its complaint on which to bottom a charge of actual controversy, except to plead in the following two sentences certain words lifted out of the second advertisement:

> "Plaintiff's telephone apparatus, assemblies and systems are designed to afford and do afford operating

features which are vital to today's telephone traffic and service conditions." (R. 3a)

"Defendants recently have advertised that the patents they own or control cover the operating features which are vital to today's telephone traffic and service conditions; and that, **in effect**, the manufacture, sale or use of telephone apparatus, systems and assemblies of the type described in paragraph 5 hereof, and in Exhibits 1, 2, 3 and 4, would infringe their patents and that suit for infringement would be brought because thereof." (R. 3a. Emphasis supplied.)

With reference to these palpable conclusions of the pleader, to which the District Court properly referred as legal conclusions (R. 25a), the Court of Appeals said:

"Taking those inferences most favorable to Federal, as must be done on motion to dismiss, the conclusion is inescapable that an area of conflict between Automatic Electric's 7 patents and Federal's apparatus is established by the pleading.

"It may be asserted of course that this area of conflict results from mere words. This is true of any pleading and the case at bar is at the pleading stage and the allegations of the complaint must be tested on a broad basis." (R. 40)

Thus, the Court of Appeals concedes that the complaint avers "mere words" and then goes on to indulge in the erroneous assumption already pointed out, *i.e.*, that a motion to dismiss for lack of jurisdiction may be frustrated if the pleading contains "mere words" alleging a conclusion of jurisdiction which is directly contradicted by Automatic's affidavits.

The Court of Appeals, in asserting that, on a motion to dismiss it "must" accept "those inferences most favorable to Federal," misconceives its power because this Court has ruled that jurisdiction must "affirmatively and definitely

appear and cannot be helped by presumptions or by argumentative inferences drawn from the pleadings." *Norton* v. *Larney*, 266 U. S. 511, 515.

The Court of Appeals did not need to indulge in inferences since the uncontradicted facts contained in Automatic's affidavits so affirmatively establish the absence of a controversy that the District Court said:

> "From the facts in the affidavits, herein taken to be true, a reasonable purpose of the advertisement is accepted, as removing the advertisement from the field of a general 'in terrorem' warning to the industry as a whole. The declaratory judgment procedure must be based upon an actual controversy between the parties, which is not shown here to exist." (R. 32a)

Respondent Seeks An Advisory Opinion.

This Court has proscribed advisory opinions, ruling that the Declaratory Judgment Act—

> "• • • may not be made the medium for securing an advisory opinion in a controversy which has not arisen." (*Coffman* v. *Breeze Corporation*, 1945, 323 U. S. 316, 325)

In the face of this binding precedent the Court of Appeals reversed the District Court, and in so doing said:

> "It may be that when the issues are more sharply defined by answer or when proof is offered after the case is at issue the field of conflict between Federal and Automatic Electric may be greatly narrowed or may possibly even disappear." (R. 40)

If it is possible that the field of conflict may "disappear", how can it be said that facts supporting these conclusions have been shown to have actually existed *at the time the complaint was filed?* And how can the Court of Appeals square its position with the mandate of this Court that there must exist in cases of this type "a concrete case ad-

mitting of the **immediate** and definitive determination of the legal rights of the parties in an adversary proceeding **upon the facts alleged.**" (*Aetna Life Insurance Co.* v. *Haworth* (1937), 300 U. S. 227, 241. Italics supplied.)

The "field of conflict" is a jurisdictional showing which must, under the holdings of this Court, be supported by properly pleaded facts and, in instances where those facts are challenged, by proof thereof. Yet the Court of Appeals, in effect, admits that there are no such facts pleaded here and acknowledges that it "may be asserted of course that this area of conflict results from mere words." (R. 40)

Not only does the complaint call for a mere advisory opinion, but Respondent's exhibits are equally uninformative. Exhibits 2, 3 and 4, termed "sales pamphlets" by Respondent, are hardly such, but are mere reprints of articles published many years ago (1933-35) by I. T. & T. Co., long before Respondent came into existence, describing telephone installations made as far back as World War I in European countries by, or by affiliates of, I. T. & T. These pamphlets do not offer for sale anything illustrated therein. *In fact, the complaint does not allege even as a conclusion that the foreign installations referred to in those exhibits are being offered for sale by Respondent in the United States.*

Respondent's failure to attach to its complaint diagrams or specifications of the installations to be made in filling the Rochester and Lexington orders, is also significant. It indicates that Respondent's alleged apparatus was not known at the date of the publication of the ads (or even when the complaint was filed), so as to give rise to an actual controversy. Furthermore, it is an undenied fact that Automatic had no independent knowledge of Respondent's apparatus. (R. 17a; 11a)

Concerning Respondent's Exhibit 1, it was not even in existence at the time the ads were published and, in view

of this fact, the second ad could not have contained any threat regarding apparatus referred to in a document prepared thereafter. Exhibit 1 is merely a typewritten statement prepared solely for the purpose of this case in which Respondent refers to itself as "Plaintiff" and the pamphlets as "exhibits." Actually, Exhibit 1 is an exhibit in name only; it is an unsupported conjecture by Respondent as to how it "may" or "might" expand and modify the systems shown in Exhibits 2, 3 and 4; it does not describe telephone circuits or apparatus, but merely outlines in functional language the infinitely variable operations that may be combined into various types of telephone services. (Physical Ex. 1)

We would suppose that Respondent would be expected to decide for itself, as all manufacturers must, just what apparatus it desires to make and whether it wishes to assume the responsibilities inherent in entering any new field involving some patented products or processes. When a manufacturer becomes interested in producing a product, *known only to it*, a patent investigation is customarily made at the very outset to determine whether the product can be made without infringing existing patents and, if not, whether patent licenses can be obtained on satisfactory terms. If it were concluded (*as Respondent concluded in this case*) that it chooses not to request a license, then the manufacturer customarily evaluates the risks entailed in making and selling the product under those uncertain circumstances. *The only time such a manufacturer is entitled to invoke the declaratory judgment remedy in order to avoid these risks is where he is threatened with patent infringement or where his right to enter the new field has been challenged.*

Here, however, the Court of Appeals would have the District Court devote many months to a burdensome inquiry into the complexities of automatic telephony and then

render an *advisory opinion* to Respondent, in spite of the fact that Automatic has not threatened Respondent or its customers and has not in any way challenged Respondent's right to enter the field of automatic telephony.

III.

THE DECISION IS NOT SUPPORTED BY ANY PRECEDENT.

The Court of Appeals did not discuss a single one of the precedents. In fact, the only decision referred to in the opinion is the *Treemond* case, as to which the Court said, in passing, that the area of conflict in the case at bar "is not defined as sharply as in *Treemond Company* v. *Schering Corporation*, 3 Cir., 122 F. 2d, 702, where a single product and a single patent were involved * * *." (R. 40)

Since the *Treemond* case was the only one mentioned by the Court of Appeals and since it is the only case even remotely analogous to the one at bar, let us see, in outline form, just how the two fact situations compare:

The Treemond Case	*The Case at Bar*
1. The defendant, in addition to its advertisement, "informed the customers of the plaintiff-appellant, an importer and vendor of a certain chemical known as 'ESTRADIOL', that it alone had the right to manufacture that chemical." (Page 703.) *This is a cumulative factor often overlooked* in discussions of this case.	1. We are not even accused of giving any notice, other than the two ads.
2. *In addition to the direct notice* to plaintiff's customers referred to in the pre-	2. Here the ads do *not* identify any of Respondent's products.

ceding paragraph hereof, an ad was published by defendant which specifically identified plaintiff's product by name.	
3. The ad also specifically identified defendant's patent by number.	3. The ads do not identify any of our patents.
4. The ad warns that "*all* uses of this material without our consent, * * * are a violation"; and that "we are giving this notice so that there may be no misunderstanding or doubt as to the *exclusiveness* of our rights in the U. S. to the product."	4. These ads do not state or imply that all automatic telephone systems are covered by our patents. The second ad expressly refers to "the rights * * * of *other* manufacturers under the patent laws."
5. This Court said: "Indeed the *only* purpose of this notice can be to make such a threat and thereby intimidate would-be purchasers into buying its own product rather than plaintiff's." (Page 705.)	5. Here there were legitimate business purposes, i.e., sales promotion and notice of termination of our wartime free-license policy.

The District Court pointed out that in each of the following cases, in which an actual controversy was found to exist, the patent of the defendant, the product of the plaintiff and the identity of the plaintiff or its customers were all involved, or that at least two of those factors were present:

Treemond Company v. *Schering Corporation* (CCA 3rd; 1941), 122 F. (2nd) 702.

Dewey & Almy Chemical Company v. *American Anode* (CCA 3rd; 1943) 137 F. (2nd) 68.

General Electric Company v. *Refrigerator Patents Corporation* (W. D. N. Y.; 1946) 65 F. Supp. 75.

Raylite Electric Corporation v. *Noma Electric Corporation* (S. D. N. Y.; 1946) 72 U. S. P. Q. 167.

The District Court then brought out that in three other cases there was identification of the defendant's patents and of the plaintiff itself in two cases and in the third the defendant had made a direct charge of infringement to the plaintiff without reference to any particular patent. Yet the courts ruled in all these three cases that no actual controversy existed:

> *Thermo-Plastics Corporation* v. *International Pulverizing Corporation* (N. J.; 1941) 42 F. Supp. 408.
>
> *Chicago Pneumatic Tool Company* v. *Hughes Tool Company* (Del.; 1945) 61 F. Supp. 767.
>
> *Pomerantz* v. *Jean Vivaudou Company* (S. D. N. Y.; 1946) 65 F. Supp. 948.

Judge Rodney, after carefully reviewing all seven of these leading decisions, concluded:

> "In the instant case a careful and critical examination of the advertisement complained of compels the conclusion that the motion to dismiss must be granted. The advertisement identifies no patent which, by any charge of infringement, is constructively tendered for a determination of the issue of validity; it makes no actual charge of infringement by anyone; it neither identifies any person directly or indirectly whom it charges with infringement, nor identifies any product or process causing infringement." (R. 32a)

We will not burden this Court with a discussion of the cases because they are analyzed in the District Court's opinion (R. 29a to 32a). *The Court of Appeals did not disapprove of the District Court's interpretation of those decisions.*

A very recent ruling on this issue was made in *Zenith Radio Corporation* v. *Radio Corporation of America*, 78

F. Supp. 591 (July 21, 1948), by District Judge Leahy, of the District of Delaware, who has considered more declaratory judgment proceedings than any other judge. Judge Leahy, after stating that the *Haworth, Treemond* and *Dewey & Almy* cases, supra, are controlling and that *RCA* failed to bring itself within the prerequisites of those cases, said:

> "For example, it has failed to meet the requirement of these cases that there must be allegations or facts that the claiming manufacturer is in jeopardy by reason of the patent, extensive threats of litigation, allegations or facts of interference with customers, or statements demanding that a certain company take a license. In short, RCA has failed to show any adequate substitute for the requirements which have usually been considered essential to establish a justiciable controversy." (78 F. Supp. 591, 594.)

Respondent has likewise failed to meet these requirements or to show any adequate substitute for them.

There is not a single reported decision supporting the Court of Appeals' ruling.

IV.

VITAL QUESTIONS OF FEDERAL LAW ARE RAISED WHICH SHOULD BE SETTLED BY THIS COURT.

The implications of the Court of Appeals' ruling are far-reaching.

Until this decision the courts have respected the proscription in the opening phrase of Section 274d that only "in cases of actual controversy" shall Federal courts have power to render declaratory judgments. But by this decision a Federal court has arrogated to itself power not only contrary to the Declaratory Judgment Act but also to the Constitution of the United States. (Art. 3, Sec. 2, clause 1 of the Constitution. *Aetna Life Insurance Company* v. *Haworth,* 300 U. S. 227, 239-41.)

For here no "actual controversy" exists; here there are no adversaries; here there is nothing but a manufacturer who presumes to seek an advisory opinion on commercial problems which it should decide for itself, and a decision which permits just that.

Prior to enactment of the Declaratory Judgment Act, a patentee could harass his competitors by threatening suit and then holding the alleged infringer at his mercy by doing nothing. The Act served a laudible purpose by giving the competitor the remedy of bringing suit to have his rights determined when charged with infringement. However, fears were expressed when the Act was passed that those having litigious chips on their shoulders might burden patent owners and the courts with make-believe controversies. Thus far such fears have not been borne out, but if this Court fails to reverse the Court of Appeals those pessimistic fears will have burgeoned to reality.

If this ruling is allowed to stand, the courts will be inundated with declaratory judgment actions by plaintiffs who seek to have the courts advise them *in advance* of their embarking in a new field,—merely because a manufacturer in that field published an advertisement promoting the efficacy and quality of its patented product.

For example, suppose General Motors, one of the manufacturers of Diesel engines, advertised that it owned a large number of patents on improvements in Diesel engines which have (to use the words of our second ad) "made it possible for the * * * industry to provide service and operating features which are * * * vital to today's traffic and service conditions". This innocuous sample of American sales promotion technique could be seized upon, if the Court of Appeals is right, as meaning that Diesel engines could not be made or sold by others without infringing General Motors' patents, and as such would form the basis for a declaratory judgment suit.

If this is to be the law, patent owners will be faced with ruinous expense in defending themselves against litigious foragers feigning concern over routine "puffing" advertisements published in entire good faith. And Federal Courts will be overwhelmed with hundreds of declaratory judgment actions. District Courts will deny motions to dismiss and patent owners will then be forced, under the "compulsory counterclaim" rule (No. 13a), to file counterclaims putting at issue all of their patents which might relate to structures the plaintiffs have never actually made or have no intention of making. Not until after tedious trials on the merits of such nebulous or non-existent structures will patent owners be able to secure an adjudication on appeal of their motions to dismiss.

No appeal lies from an interlocutory decree of a district court sustaining jurisdiction, until after a trial on the merits. Hence neither this Court nor any Court of Appeals will have an opportunity to pass upon the question raised here for an indeterminate time, during which the decision in this case will stand as the law of the land.

This must be stressed: Every patentee, every district court in America is interested in the proper disposition of this case. Indeed, the entire patent system is directly affected by the decision below.

The writ should be granted.

Respectfully submitted,

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